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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 14, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **ARMENIAN EVANGELICAL SOCIAL SERVICE CENTER CONTRACT
REVIEW – REFUGEE EMPLOYMENT PROGRAM**

We have conducted a program and fiscal contract review of Armenian Evangelical Social Service Center (AESSC or Agency), a Refugee Employment Program (REP or Program) service provider.

Background

The Department of Public Social Services (DPSS) contracts with AESSC, a private non-profit community-based organization, to provide job-training and employment services to refugees who have resided in the United States for less than five years. The Agency's services include providing language, vocational and on-the-job work training and job seeking skills, assisting participants in retaining employment and paying for work related expenses such as transportation and union dues. The population that AESSC serves resides in the Third and Fifth Districts.

DPSS pays AESSC a fixed fee for each type of service based on budgeted program costs and anticipated service levels. DPSS paid AESSC \$567,850 for Fiscal Year (FY) 2005-06.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether AESSC complied with its contract terms and appropriately accounted for and spent program funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, AESSC provided the services required by the County contract using the appropriate number of staff who possessed the qualifications required. In addition, the program participants interviewed stated that the services they received from AESSC generally met their expectations.

The Agency paid bonuses totaling \$4,200 to 14 REP employees. AESSC did not have a written policy authorizing the payment of bonuses nor was there a provision in the Agency contract with the County to pay its employees the bonuses.

Details of our review along with recommendations for corrective action are attached.

Review of Report

On March 22, 2007, we discussed our report with AESSC management who concurred with our report. Subsequent to our review, the Agency indicated that they repaid DPSS the \$4,200 issued in bonuses. We also notified DPSS of the results of our review.

We thank AESSC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Philip L. Browning, Director, Department of Public Social Services
Jack H. Loussarian, Executive Director, Armenian Evangelical Social Service Center
Public Information Office
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM
ARMENIAN EVANGELICAL SOCIAL SERVICE CENTER
FISCAL YEAR 2006-2007**

ELIGIBILITY

Objective

Determine whether Armenian Evangelical Social Service (AESSC or Agency) provided the services to individuals that meet the eligibility requirements of the Refugee Employment Program (REP or Program).

Verification

We sampled 20 (4%) of the 457 program participants that received services during October and November 2006 and reviewed their case files for documentation to confirm the participants' eligibility for program services.

Results

All program participants sampled were eligible to receive program services. AESSC also maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether AESSC provided the services billed in accordance with their contract and the program participants received those services.

Verification

We reviewed the documentation contained in 20 (4%) program participant case files that received services in October and November 2006 to ensure that the services billed were provided in accordance with the County contract. We also interviewed 9 program participants to confirm the services AESSC billed the Department of Public Social Services were provided.

Results

AESSC appropriately provided language, vocational and on-the-job work training. AESSC also provided job seeking skills, assisted in attaining employment and appropriately paid work related expenses such as, transportation and union dues. The program participants stated that the services they received from AESSC met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING QUALIFICATIONS**Objective**

Determine whether AESSC's staff possessed the qualifications required by the contract.

Verification

We reviewed the personnel files of 13 employees for documentation to confirm their qualifications.

Results

Each of AESSC's employees possessed the required employment eligibility verification, training, reading, writing and speaking requirements identified in the contract.

Recommendation

There are no recommendations for this section.

CASH/REVENUES**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's October and November 2006 bank reconciliations.

Results

AESSC properly recorded and deposited cash receipts timely in the Agency's bank account. In addition, AESSC appropriately prepared the bank reconciliations and the reconciling items appeared valid and were cleared in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 15 non-personnel expenditure transactions billed by the Agency for October and November 2006, totaling \$15,160.

Results

AESSC's expenses were allowable, accurately billed to DPSS and properly documented as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and tested transactions in various areas such as expenditures, payroll and personnel.

Results

AESSC maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether AESSC's purchases made with program funds are used for the program and that the assets are safeguarded.

Verification

We interviewed AESSC personnel and reviewed the Agency's equipment inventory listing. In addition, we also performed a physical inventory of ten assets funded by program funds to verify the items exist and that they were being used as required.

Results

AESSC's fixed assets purchased with REP funding were used for the program and properly safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures for 13 employees during October and November 2006, totaling \$43,400. We also interviewed staff and reviewed the personnel files of staff assigned to the program.

Results

The Agency program staff salaries were supported with time cards and charged appropriately to the program. In addition, AESSC maintained personnel files in accordance with the County contract. However, in December 2006 the Agency paid bonuses totaling \$4,200 to the 14 AESSC employees. The County contract requires Agencies to adhere to the Office of Management and Budget (OMB) guidelines which indicates that incentive compensation to employees is allowable to the extent the overall compensation is reasonable and paid or accrued according to an agreement between the organization and the employee before the services are rendered, or if there is an agreement to make such payment. The Agency did not have a written policy authorizing the payment of bonuses to employees or an agreement.

Recommendation**AESSC management:**

1. **Repay DPSS \$4,200.**
2. **Ensure that disbursements for bonuses are adequately supported and in compliance with OMB guidelines.**

COST ALLOCATION PLAN**Objective**

Determine whether AESSC's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed AESSC's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during October and November 2006 to ensure that the expenditures were properly allocated to the appropriate program.

Results

AESSC's Cost Allocation Plan was prepared in compliance with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.



ARMENIAN EVANGELICAL SOCIAL SERVICE CENTER
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Jack H. Loussararian
Executive Director

Nora Ashjian
Program Director

March 26, 2007

J. Tyler McCauley
Los Angeles County Auditor-Controller
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Contract Review Response

We have reviewed the report issued by your Department and our response to your recommendation regarding our Christmas Gift to the staff in December, 2006 is as follows:

Armenian Evangelical social service Center (AESSC) has had a tradition for over twenty years to give a Christmas Gift annually with the approval of the Board of Directors, in appreciation of the staff's hard work. For your information, two previous CPA firms sent by the County of Los Angeles have audited the AESSC accounts, namely, Simpson & Simpson and Moss, Levy & Hartzheim, were aware of this tradition and have not made any objection or recommendation.

AESSC has added the following language in its Employee Handbook in compliance with OMB guidelines.

INCENTIVE COMPENSATION

Based on Program Outcome Measurement, employee incentives may be given, upon the recommendation of the Executive Director and approval by the Board of Directors.

Please call me if you have any questions at (818) 240-8771

Sincerely,

Jack H. Loussararian, Executive Director
AESSC